

OVERSIGHT BOARD
SUCCESSOR AGENCY
TO THE WEST HOLLYWOOD
COMMUNITY DEVELOPMENT COMMISSION

JULY 11, 2013

SUBJECT: RESOLUTION OF THE OVERSIGHT BOARD OF THE
SUCCESSOR AGENCY TO THE WEST HOLLYWOOD
COMMUNITY DEVELOPMENT COMMISSION DIRECTING
THE COMMENCEMENT OF A REFUNDING OF CERTAIN
BONDS

INITIATED BY: SUCCESSOR AGENCY
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STATEMENT ON THE SUBJECT:

The Oversight Board will consider approval of a resolution directing the Successor Agency to commence a refunding of the former West Hollywood Community Development Commission's 2003 redevelopment tax allocation bonds.

RECOMMENDATION:

Adopt Resolution No. OB13-008 "A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION DIRECTING THE COMMENCEMENT OF A REFUNDING OF CERTAIN BONDS"

BACKGROUND ANALYSIS:

On February 1, 2012, pursuant to Assembly Bill x1 26 ("AB x1 26") all redevelopment agencies across the State were dissolved and successor agencies were established to wind-down their operations and obligations. On June 2, 2012, AB 1484, a clean-up bill ("AB 1484") to the redevelopment dissolution legislation (AB x1 26) was enacted by the State Legislature. Collectively, the two bills are commonly known as the "Redevelopment Dissolution Legislation".

AB 1484 included specific provisions permitting successor agencies to refund outstanding bonds, or other obligations of a former redevelopment agency, to achieve savings in debt service payments. To date, several successor agencies around the State have refunded existing redevelopment bonds to achieve savings. Additionally, other successor agencies are in the process of refunding redevelopment bonds to take advantage of favorable interest rates.

**2003 West Hollywood Community Development Commission
Redevelopment Tax Allocation Bonds**

In September 2003, the former West Hollywood Community Development Commission issued \$11,500,000 in redevelopment Tax Allocation Bonds, (the "2003 Bonds") to finance redevelopment activities in the East Side Redevelopment Project Area. The 2003 Bonds are currently outstanding in the principal amount of \$9,525,000 and have a final term of 2033 with an existing interest rate of 5.75%. The bonds have an initial 10-year call period; meaning, they cannot be redeemed or refunded until September 1, 2013.

Based on recent interest rates, the 2003 Bonds could be refunded to the same term at interest rates ranging from 1.00% to 4.50%. As of May 2013, the County estimated that refunding the 2003 Bonds would produce annual savings of about \$76,157 (total savings of \$1,523,130). These savings would increase the amount of "residual" property tax available to be redistributed to taxing entities based on their proportionate share of the 1% property tax levy. The estimated potential savings from the refunding are summarized below.

Name of Bond(s) Refunded	Annual Savings	Total Savings	Total NPV Savings
2003 Tax Allocation Bonds	\$76,157	\$1,523,130	\$1,059,266
TOTAL	\$76,157	\$1,523,130	\$1,059,266

County of Los Angeles Redevelopment Bond Refunding Program

The County of Los Angeles has developed a program to assist successor agencies in refinancing their outstanding redevelopment bonds in an efficient and cost-effective manner. It is anticipated that the refunding bonds will be sold through a pooled financing structure. The County will establish a joint powers authority to serve as the issuer of the bonds to the capital markets. Bonds issued under the County's program may be sold in one or more series depending on the number of participating successor agencies and the various credit and financing characteristics of the refunded bonds. The County has outlined the following benefits to the program for successor agencies:

- **County Assistance** - The County will lead the effort to prepare all legal documents and Official Statements, solicit credit ratings and market the bonds.
- **Department of Finance Approval** - The program has been assigned dedicated staffing by the State Department of Finance ("DOF") that will streamline the approval process required under AB 1484. The County will take the lead in seeking approval of the refunding transaction from DOF and

in obtaining a final and conclusive determination for Recognized Obligation Payment Schedules ("ROPS") payments related to the refunding bonds.

- **Continuing Disclosure** - The County will assume substantial responsibility for continuing disclosure related to the refunding bonds.
- **Efficient Procurement Process** - The County has put together a team of financial and legal experts to work on all aspects of the financing process.
- **Economies of Scale** - With multiple participants in the financing pool, the successor agency can achieve reduced costs of issuance.
- **Enhanced Financing Structure** - The program features structural enhancements that improve the marketability of the refunding bonds and increase savings to local taxing entities.

The County has set a deadline of July 31, 2013, for interested successor agencies to decide if they would like to participate in the 2013 refunding bond pool ("2013 Pool"). Once the Successor Agency formally joins the 2013 Pool, the County will begin the process of drafting the necessary documents for review and approval. The following schedule outlines the financing milestones associated with the 2013 Pool.

May - July 2013	<ul style="list-style-type: none">• One-on-one meetings with successor agencies (Application Period)• County JPA formation
July 2013	<ul style="list-style-type: none">• Deadline for successor agencies to submit executed Oversight Board Resolutions
August - Oct. 2013	<ul style="list-style-type: none">• Draft documents, credit rating meetings• Successor Agency, Oversight Board & DOF approvals
November 2013	<ul style="list-style-type: none">• County sells the refunding bonds
December 2013	<ul style="list-style-type: none">• Bond closing

The first action necessary, to initiate the process outlined above, is for the Oversight Board to approve a resolution directing the Successor Agency to begin a refunding of the 2003 Bonds through the County's program. Once the necessary documents for the refunding are complete the Successor Agency's governing body (the City Council) will approve them. After approval by the Successor Agency the documents will be brought forward to the Oversight Board for final approval.

Interest Rates and Recent Volatility in the Financial Markets

The Federal Reserve's recent announcement that it will begin scaling back its monthly purchase of \$85 billion in bonds, has created volatility in the financial markets over the last several weeks. One of the most significant effects of this volatility has been an increase in interest rates. Municipal bond yields were not spared, and have moved higher just like other rates. Within the last 30 days municipal bond yields have increased by more than 50 basis-points (0.50%) for 10-year maturities and nearly 75 basis points (0.75%) for 30-year maturities. Both the County and Successor Agency are closely watching the increase in bond yields. In the event yields rise to levels that no longer make the refunding prudent, the County and Successor Agency will not move forward with the refunding.

FISCAL IMPACT:

Based on an analysis performed by the County in May 2013, the refinancing would reduce existing debt service payments on the Successor Agency's 2003 Bonds by \$76,157 annually, which will increase the "residual" property tax distribution to all taxing entities. All costs of the refinancing will be paid on a contingent basis from the bond proceeds.

If the refinancing does not proceed for any reason, any costs already incurred by the successor agency can be submitted for reimbursement on the next ROPS pursuant to Health & Safety Code Section 34171(b) and will not count against the Successor Agency's administrative cost allowance.

ATTACHMENTS:

Attachment 1: Resolution